OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 89
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Dolan

Local Impact Statement Procedure Required: Yes

Ruhaiza Ridzwan, Senior Economist

Highlights

- Extending annual renewable energy benchmarks from 2026 to 2027 and thereafter may increase electricity expenditures made by state agencies and political subdivisions. The solar component of the requirement means such expenditure increases could begin as early as this year.
- Extending solar energy compliance payments to 2026 may result in a revenue gain to the Advanced Energy Fund, used by the Department of Development to administer the Advanced Energy Program.
- The extension of property tax exemption for qualified energy projects that use renewable energy resources is likely to decrease property tax revenue to school districts and other political subdivisions, including permissive revenue loss to counties.

Detailed Analysis

The bill specifies that, in 2027 and thereafter, electric distribution utilities (EDUs) and electric services companies (ESCs) are required to provide 8.5% of their electricity supply from renewable energy resources, continuing into future years the current requirement for 2026. The bill requires that 0.22% of such electricity supply be from solar energy resources in 2021, with the required percentage gradually increasing to 0.5% in 2027 and thereafter. Under existing law, the annual renewable energy benchmarks (of 8.5% for 2026) for EDUs and ESCs are set to expire at the end of 2026.[1] The bill also specifies the amount of the penalty for noncompliance with the

[1] Current law governing renewable energy benchmarks was enacted in H.B. 6 of the 133rd General Assembly.

solar energy requirements (referred to as solar energy compliance payments) for 2021 and 2022 and future years; the bill increases the payment amount for 2021 and 2022 from zero under current law to $150, down from $200 for 2019. Every two years thereafter through 2026, the payment amounts would be reduced by $50, to a minimum of $50.

The bill also extends, from tax year (TY) 2022 to 2030, the existing property tax exemption for qualified energy projects that use renewable energy resources. The owner or lessee of the facility must apply for the exemption on the facility to the Department of Development before December 31, 2030.

Fiscal effect

The bill's provisions related to the annual renewable portfolio standards (RPS) in 2027 and thereafter may increase costs for EDUs and ESCs to comply with the RPS. ESCs' customers are likely to pay a portion of such compliance cost, which would increase electricity expenditures made by state agencies and political subdivisions beginning this year, due to the solar requirement. Based on the most recent Renewable Portfolio Standard (RPS) compliance report,[2] competitive retail electric service (CRES) providers spent about $14.23 per solar renewable energy credit (REC) and about $5.77 per nonsolar credit to comply with RPS in 2019. Using data related to EDU and CRES compliance, RECs, and Solar-RECs from the report, in 2019 total statewide RPS compliance costs were about $67 million. In 2019, EDUs and ESCs were required to provide 5.5% of their electricity supply from renewable energy resources, including 0.22% from solar energy resources.

2019 RPS Compliance Costs		
	Nonsolar	Solar
Ohio EDUs	$29,363,236	$4,781,452
Ohio CRES Providers	$29,850,126	$3,066,750
Total	**$59,213,362**	**$7,848,202**

Because compliance costs for the RPS requirement depend on the costs of RECs compared to the costs of purchasing electricity generated using other means, LBO is not able to say with certainty whether EDUs' and ESCs' costs would increase under the bill. But it is possible that such forms of generation would remain more expensive than the alternative in future years, which would increase such costs. Presumably any such cost increases would be passed along to customers, including the state and political subdivisions. Continuing law exempts an EDU or ESC from the RPS requirement if the "reasonably expected cost" of the requirement exceeds 3%.

[2] A copy of Renewable Portfolio Standard Report to the General Assembly by the Public Utilities Commission of Ohio for the 2019 Compliance Year is available at: https://puco.ohio.gov/wps/portal/gov/puco/utilities/electricity/resources/ohio-renewable-energy-portfolio-standard/puco-annual-rps-reports.

Solar compliance payments, amounting to $150 per megawatt hour of undercompliance or noncompliance with the solar energy requirement in 2021 and 2022, are deposited under continuing law into the Advanced Energy Fund, used by the Department of Development. The bill decreases the amount of the payments to $100 per megawatt hour in 2023 and 2024, and to $50 in 2025 and 2026.

The extension of the existing property tax exemption for qualified energy projects that use renewable energy resources, which applies to prospective renewable energy (e.g., wind, solar, hydroelectric, and geothermal energy) facilities that will newly obtain the property tax exemption for tax years (TYs) 2026 – 2030, may reduce property tax revenue to school districts and other local governments. H.B. 110 of the 134th General Assembly extended the exemption through TY 2025. Once a renewable energy project qualifies for this certification, it is exempt from taxation in all ensuing tax years through TY 2030. Potential revenue losses to school districts and other political subdivisions, including permissive revenue losses to counties in certain cases, are undetermined. This exemption was originally enacted in 2010 and the Ohio Department of Development has certified more than 60 renewable energy projects. The property tax exemption applies to real and tangible personal property used by the energy facility. If the nameplate capacity of a qualified energy project is 20 megawatts (MW) or greater, the local board of county commissioners must approve its tax-exempt status. In return for this approval, the owner or lessee of an energy project must make a payment in lieu of taxes (or "PILOT") ranging between $6,000 and $9,000 per each MW of nameplate capacity.

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